

Message Text

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ACTION EB-08

INFO OCT-01 AF-08 ARA-06 EUR-12 IO-13 ISO-00 L-03 FRB-03

OMB-01 ITC-01 SP-02 USIA-06 AGRE-00 AID-05 CIAE-00

COME-00 INR-07 LAB-04 NSAE-00 OIC-02 SIL-01 STR-04

TRSE-00 CIEP-01 CEA-01 EA-07 NEA-10 /106 W

-----280300Z 069327 /71

R 271553Z JAN 77

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9960

INFO USMISSION GENEVA

USMISSION OECD PARIS

AMEMBASSY ABIDJAN

AMEMBASSY ACCRA

AMEMBASSY BRASILIA

AMEMBASSY BONN

AMEMBASSY LOME

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION EC BRUSSELS

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FOR: EB/ORF/ICD/TRP - MR. PILKAUSKAS

E.O. 11652: N/A

TAGS: EPAP

SUBJECT: COCOA -- ICCO MEETING JANUARY 17-21

1. SUMMARY. THE COUNCIL OF THE INTERNATIONAL COCOA ORGANIZATION (ICCO) MET IN LONDON JANUARY 17-21. WE UNDERSTAND FROM PARTICIPANTS THAT THE MAJOR OUTCOME WAS AGREEMENT ON FURTHER STUDY OF THE SUPPLY/DEMAND SITUATION. EFFECTIVELY, THIS APPEARS TO MEAN POSTPONEMENT OF THE END SUMMARY.

2. ACCORDING TO PARTICIPANTS IN THE RECENT ICCO COUNCIL
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MEETING, AS EXPECTED THE QUESTION OF PRICE RANGES WAS THE MAJOR CONCERN. HOWEVER, NO DECISION WAS TAKEN REGARDING CHANGING PRESENT PRICE RANGES.

3. THE CANADIAN REPRESENTATIVE (MUSGROVE) TOLD THE EMBASSY THAT THE COCOA PRODUCERS PRESENTED A WRITTEN STATEMENT EARLY IN THE MEETING PURPORTING TO ANALYSE THE

MARKET SITUATION BUT MAKING NO, REPEAT NO, DEMANDS. MUSGROVE SAID THIS PAPER ATTEMPTED TO ANALYSE THE SUPPLY/ DEMAND SITUATION OVER THE PAST 3 YEARS. IT CONCLUDED THAT THE PRICE SELDOM DROPPED BELOW 50 CENTS PER POUND NOR EXCEEDED 90 CENTS PER POUND, AND THE AVERAGE PRICE FOR THE PERIOD HAD BEEN 67 CENTS. MUSGROVE SAID THE PAPER THEN POSED 3 QUESTIONS:

A) DID CONSUMERS BELIEVE CURRENT PRICE RANGES ACCURATELY REFLECTED THE MARKET TREND FOR COCOA

B) DID THEY BELIEVE THOSE RANGES FULFILLED THE OBJECTIVES OF THE AGREEMENT, AND WERE ACCURATELY TAKEN ACCOUNT OF IN THE PRESENT PRICE RANGES.

MUSGROVE SAID THAT THE OBJECTIVE OF THE PRODUCERS SEEMED TO BE REVISING THE PRESENT PRICE RANGE TO ONE OF 60 CENTS AT THE FLOOR AND 76 CENTS AT THE CEILING.

4. MUSGROVE SAID THAT CONSUMER REACTION WAS NOT MONOLITHIC AND CONSUMER TACTICS IN RESPONSE WERE NOT PARTICULARLY ASTUTE. BASICALLY THE CONSUMERS DECIDED THEY WOULD NOT DISCUSS PRICE RANGE REVISION BUT TAKE THE POSITION THAT THERE WAS INSUFFICIENT INFORMATION UPON WHICH A DECISION COULD BE MADE. THUS THE PROPOSAL, DEBATED BY THE COUNCIL, THAT A FURTHER STUDY WOULD BE MADE WITH A REPORT TO THE MARCH MEETING. MUSGROVE SAID THAT CONSUMER REASONING WAS BASED ON THE BELIEF THAT CURRENT HIGH PRICES WERE PRIMARILY A FUNCTION OF PRODUCTION AND THE DIMINUTION OF SUPPLY TO MARKET. THEY FELT THAT, DESPITE INCREASES IN PRICE, THERE WAS LITTLE LIMITED OFFICIAL USE

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EVIDENCE TO SHOW THAT THE BENEFITS HAD ACCRUED TO THE COCOA PRODUCING INDUSTRY, I.E. PRICES HAD NOT BEEN REFLECTED IN INCREASED INVESTMENT.

5. MUSGROVE SAID THAT WITHIN THE CONSUMER GROUP THE FRENCH, DUTCH AND SCANDINAVIANS WERE SOFT-LINERS, WHILE THE FRG, SWITZERLAND AND THE U.K. TENDED TO TAKE A HARD LINE. CANADA WAS ABOUT IN THE MIDDLE.

6. WE ASKED THE BRAZILIAN DELEGATE (RAFFAELLI) FOR A RUN-DOWN OF THE MEETING AS SEEN THROUGH PRODUCER EYES. RAFFAELLI SAID SMALL IMPORTERS (SWITZERLAND, ITALY) APPEARED PARTICULARLY CONCERNED ABOUT HIGH PRICES AND SUPPLY CONSTRAINTS. HOWEVER, THEY WERE NOT ACTIVE IN PLENARY BUT TENDED TO LET FRG ACT AS SPOKESMAN. THE IVORY COAST DELEGATE, HE SAID, PUSHED VERY HARD WITHIN THE PRODUCER CAUCUS TO GET THE PRODUCERS TO DEMAND FOR AN INCREASE IN THE PRICE RANGE; HOWEVER, THEY WERE QUIET IN PLENARY SESSIONS.

ARMSTRONG

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